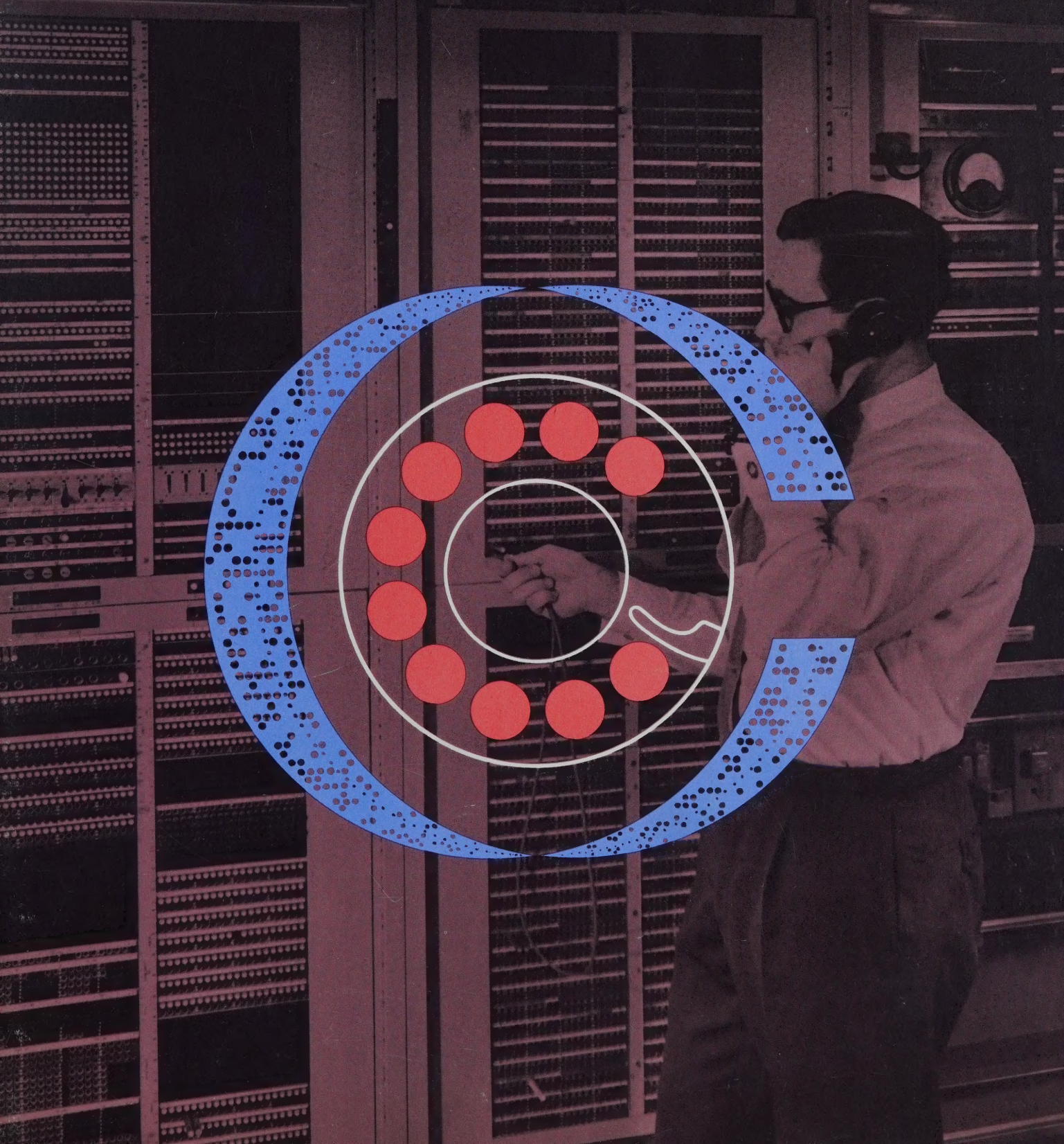
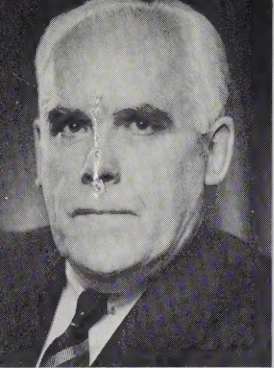


AR04

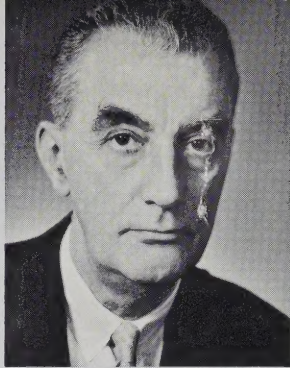
THE BELL TELEPHONE COMPANY OF CANADA

ANNUAL REPORT 1964





THOMAS W. EADIE*
Montreal

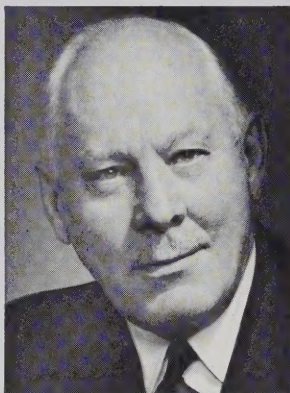


MARCEL VINCENT*
Montreal

DIRECTORS



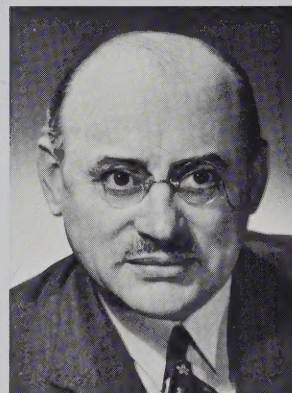
L.-J.-ADJUTOR AMYOT
Quebec
resigned August 31, 1964



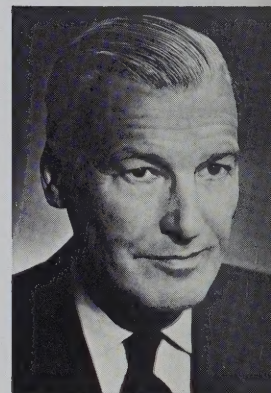
HENRY BORDEN, C.M.G., Q.C.
Toronto



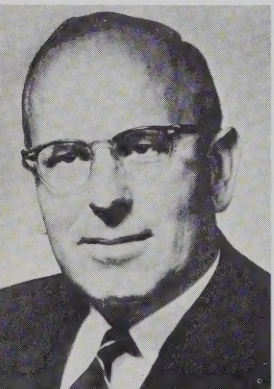
C. GORDON COCKSHUTT, M.C.
Brantford



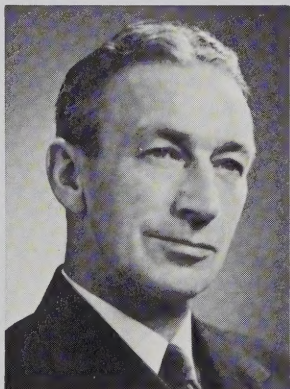
MARCEL FARIBAULT*
Montreal



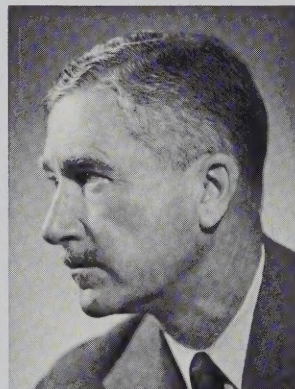
JOHN A. FULLER
Montreal



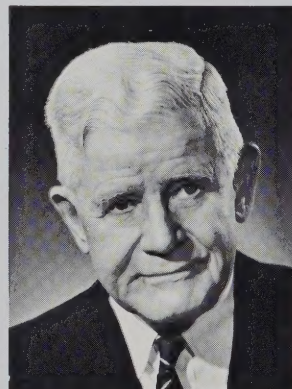
RICHARD R. HOUGH
New York



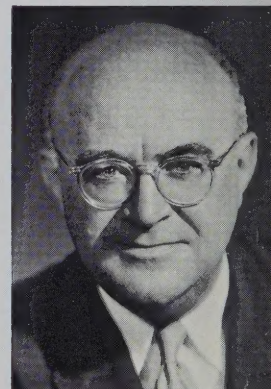
FREDERICK JOHNSON*
Montreal



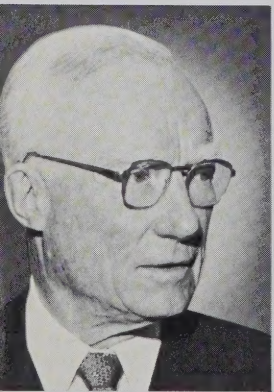
R. HOLLEY KEEFLER, C.B.E., D.S.O.*
Montreal



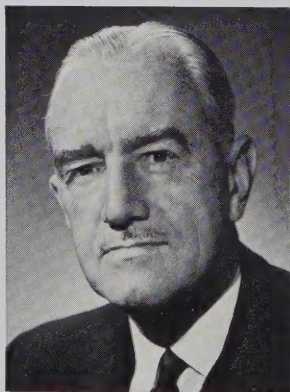
ROBERT A. LAIDLAW
Toronto
resigned May 31, 1964



HERBERT H. LANK
Montreal



RAY E. POWELL*
Montreal



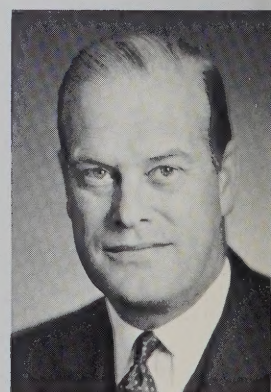
EDWARD A. ROLPH*
Montreal



GRAHAM F. TOWERS, C.M.G.
Ottawa



JEAN TURGEON, Q.C.
Quebec
appointed September 1, 1964



HON. ROBERT H. WINTERS, P.C.
Toronto
appointed June 1, 1964

OFFICERS

THOMAS W. EADIE
Chairman of the Board

MARCEL VINCENT
President

SIMCOE C. SCADDING
Secretary

JOHN A. DOCHSTADER
Assistant to the President

JAMES A. HOBBS
Executive Vice-President

EDWARD A. ROLPH
Executive Vice-President

DAVID M. CAMP
Vice-President, Personnel

W. HARVEY CRUICKSHANK
Vice-President, Public Relations

ARNOLD J. GROLEAU
Vice-President, Finance

WILLIAM C. CORBETT
Treasurer

WILLIAM McNEILL
Comptroller

Z. HENRY KRUPSKI
Vice-President, Trans-Canada

ALEXANDER G. LESTER
Vice-President, Engineering

WALLACE C. MACPHERSON
Vice-President, Revenue Requirements

ROBERT C. SCRIVENER
Vice-President, Operations

J. VERNON LEWORTHY
Vice-President, Operations Staff

WILFRED D. E. ANDERSON
Vice-President & General Manager, Toll Area

MAURICE d'AMOURS
Vice-President & General Manager, Montreal Area

WALLACE M. RANKIN
Vice-President & General Manager, Western Area

OREN A. ROBERTSON
Vice-President & General Manager, Toronto Area

JOHN R. TRAVES
Vice-President & General Manager, Eastern Area

P. CHARLEMAGNE VENNE, Q.C.
Vice-President & General Counsel

EIGHTY-FIFTH

*For Release
10 AM FEB 24, 1965*

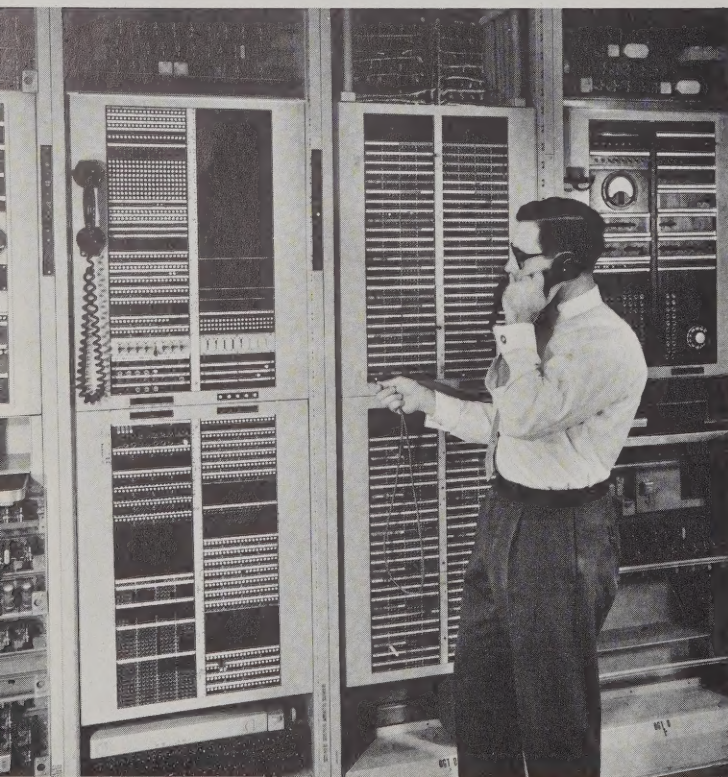
ANNUAL REPORT

THE BELL TELEPHONE COMPANY OF CANADA
1050 BEAVER HALL HILL, MONTREAL

A Canadian company owned and controlled by Canadians. Of the 207,000 shareholders, more than 200,000 reside in Canada, and they own nearly 94 per cent of the total stock.

YEAR ENDED DECEMBER 31, 1964

Reels of telephone cable weighing up to seven tons are moved quickly and efficiently by giant "ice tongs" designed by Bell motor vehicle specialists for use with this truck-mounted crane.



Our cover shows the master test frame for an exchange serving large firms in downtown Montreal. Special services, such as Centrex, Teletypewriter Exchange Service, and Wide Area Telephone Service, are handled by the equipment in this exchange.



A large-scale computer in Montreal processes customer accounts and provides data for day-to-day operations and long-term planning. Company officers inspect the high-speed printer operating at a rate of 900 lines a minute.

REPORT IN BRIEF

THE YEAR'S FINANCIAL RESULTS

Return on total capital was 6.3 per cent
Dividends of \$2.20 per share were paid
Revenues rose by 7.9 per cent; expenses by 5.4 per cent

SERVING CANADA'S TELECOMMUNICATION NEEDS

More than 222,000 telephones added; total in service 4.3 million
Thirty-nine exchanges converted to dial
Thirty-one new exchanges added
Local calling areas enlarged in more than 200 exchanges
Long distance rates reduced
Special services developed for government and business
Canadian research continued to produce new methods and equipment

CONSTRUCTION TO MEET DEMAND

More than \$233 million devoted to replacement, expansion and modernization
Fifty-two new buildings completed, 23 extended
Additional microwave facilities provided to extend and safeguard vital routes
Base station established at Frobisher Bay to serve Far North

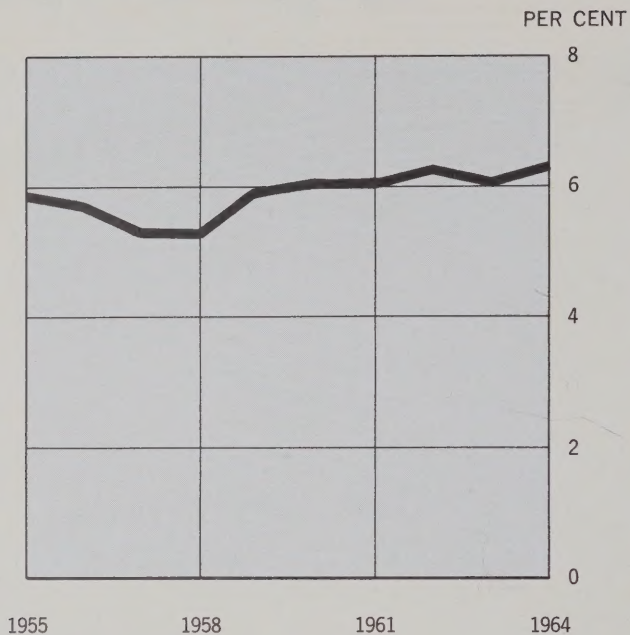
FINANCING FOR GROWTH AND IMPROVEMENT

Stock issue provided \$84.5 million in new capital; bond issue \$50 million
Employees' Stock Plan yielded \$15.9 million

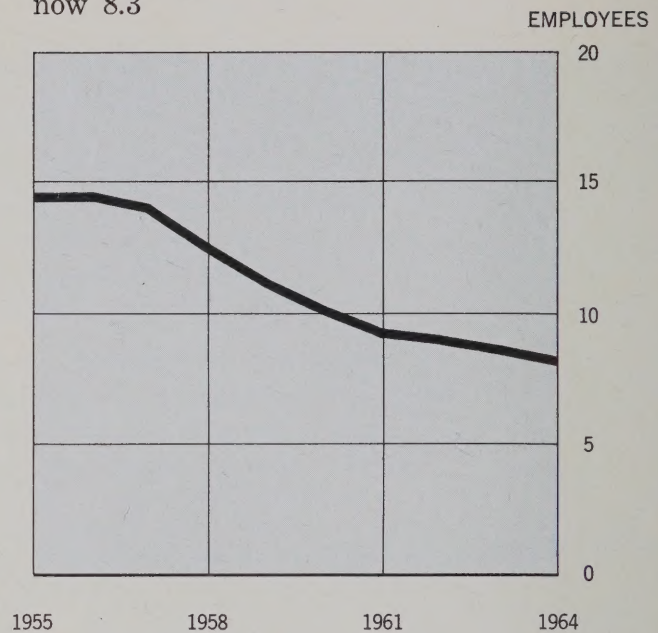
EARNINGS SUMMARY *in thousands of dollars*

	1964	1963
Operating Revenues	\$542,772	\$502,977
Other Income	9,425	8,412
	<u>\$552,197</u>	<u>\$511,389</u>
Operating Expenses	\$343,366	\$325,795
Taxes	96,037	84,833
Interest	35,055	32,467
	<u>\$474,458</u>	<u>\$443,095</u>
EARNINGS AVAILABLE FOR DIVIDENDS	\$ 77,739	\$ 68,294
Dividends to shareholders	63,005	58,189
Retained in the business	14,734	10,105

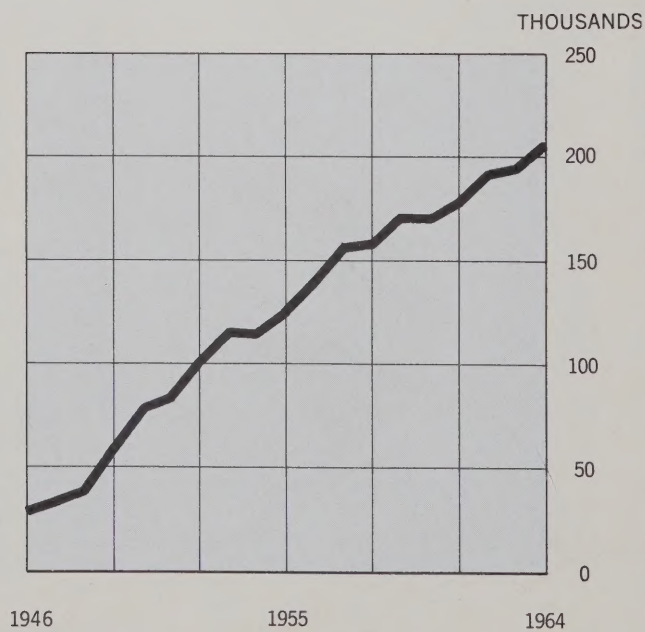
RETURN ON TOTAL CAPITAL
6.3 per cent



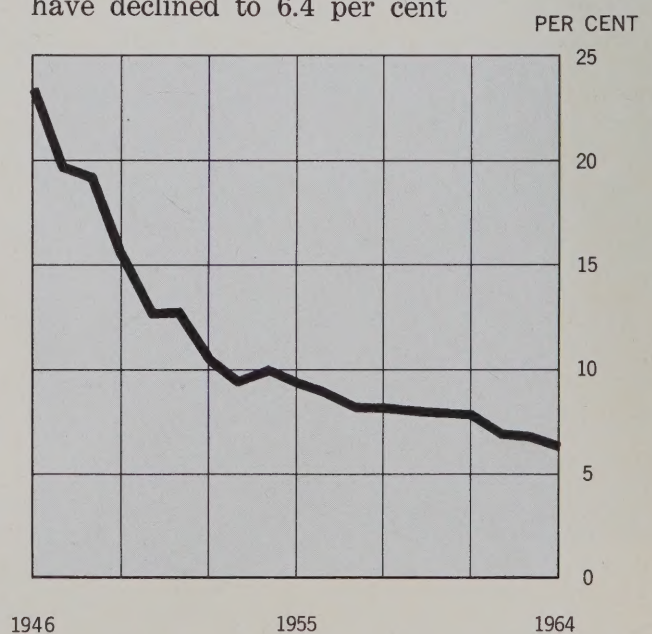
EMPLOYEES
PER 1,000 TELEPHONES
now 8.3



TOTAL SHAREHOLDERS
exceed 207,000



COMPANY SHARES
FOREIGN OWNED
have declined to 6.4 per cent



REPORT OF THE DIRECTORS

In 1964 the Canadian economy was strong. The vigour of its industrial activity was particularly apparent in Ontario and Quebec, where your Company concentrates most of its operating effort. The Bell Telephone Company of Canada contributed directly to the country's well-being in many ways — one of which was the investment of more than \$233 million for the construction of facilities to extend and improve our services.

There are now 4.3 million telephones served by your Company in Ontario, Quebec, Labrador and the Northwest Territories. They are served by a highly efficient communications network made up of 778 exchanges ranging from large, complex installations in Montreal and Toronto to small, remote exchanges like Resolute, 600 miles north of the Arctic Circle. This widespread development is one measure of the vital role our services play in the life of Canada.

An average of more than 26 million calls, of which half a million are long distance, are placed daily by our customers. This is another measure of public recognition of the usefulness and value of our service. Canadians continue to use the telephone more than any other people. Our customers can make as many local calls as they wish without extra monthly charge. Service

is readily available in offices and homes, and from public telephones conveniently located throughout our operating territory. Thanks to the telephone, in communications the barriers of distance are easy to overcome.

The Company is investing almost a quarter of a billion dollars a year in new construction. In the main these expenditures are required to provide for growth and to maintain the system at its present standard. There is also continuous expenditure for modernization and improvement. The bulk of the capital employed in the business is devoted to meeting basic communications needs. Such investment must be continued. Only through improving earnings can we attract the required capital dollars with maximum economy.

Earnings Improved

In 1964 the Company earned a return of 6.3 per cent on total capital. This level of earnings reflects continuing efforts to stimulate growth in revenue and at the same time to keep a firm control on costs.

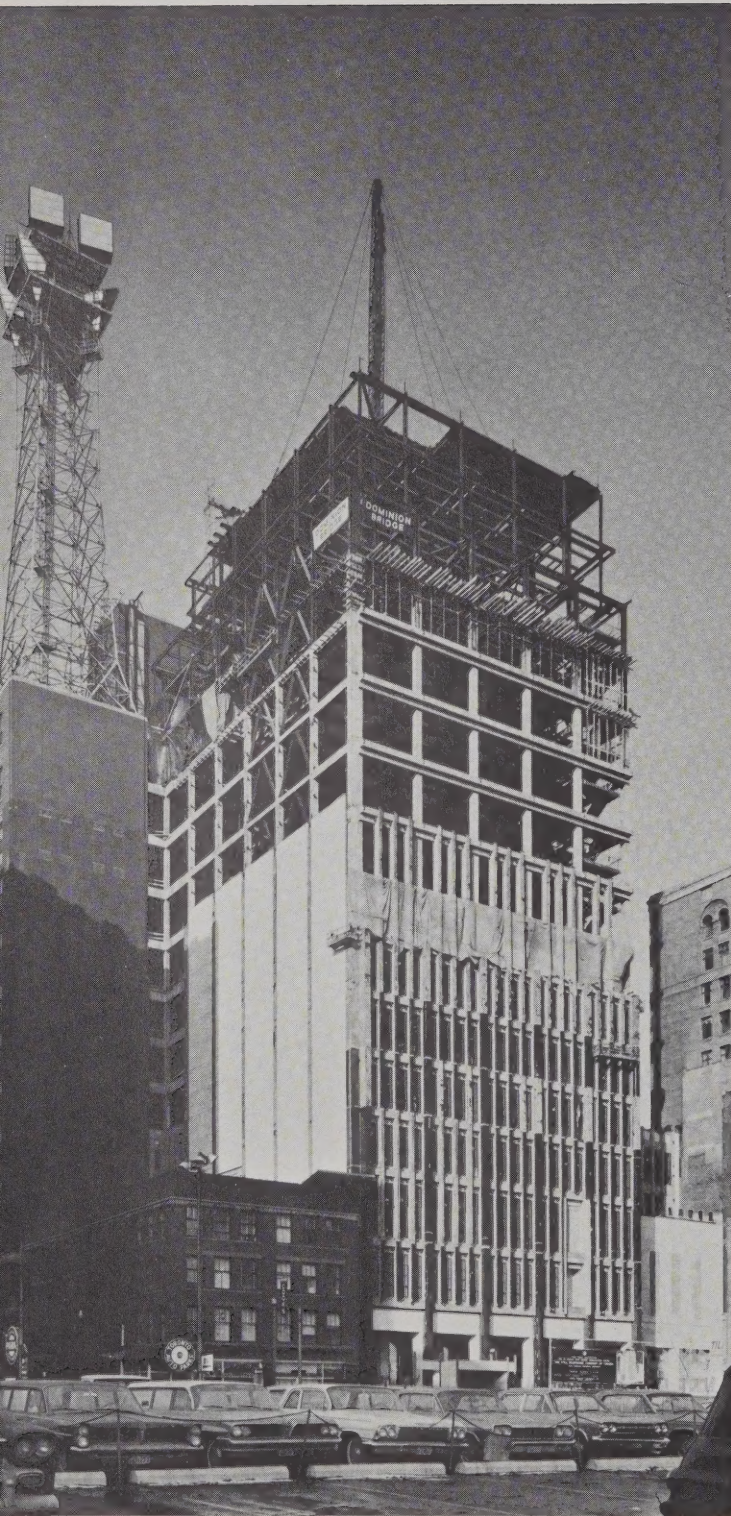
Taxes to all governments amounted to \$96.0 million. Net in-

come available for dividends totalled \$77.7 million. This was equivalent to \$2.71 per share, 13 cents per share more than in 1963. Dividends of \$2.20 per share were paid to shareholders, and the balance of \$14.7 million, equivalent to 51 cents per share, was added to earnings retained and invested in the business.

Revenues were 7.9 per cent higher than in 1963. Demand is increasing for the newer services — Call Directors, Teletypewriter Exchange Service and many others — which are especially designed to improve the efficiency and productivity of our business customers' communications. Demand for a wide variety of services by residence customers has also increased rapidly in the past few years.

The increase in expenses of running the business was held to 5.4 per cent. Depreciation and maintenance charges rose as a result of the growing investment in plant. Employee expense increased substantially. Contracts negotiated late in 1963 and early in 1964 with three unions representing 28,700 employees increased payroll expense by about three per cent on an annual basis. As a result of bargaining late in 1964, new collective agreements which further increased wage rates became effective in December.

The Company provides long distance service for the municipal telephone systems of Fort William and Port Arthur. During 1964, a new building was erected to accommodate Direct Distance Dialing equipment for Lakehead customers.



Our new 15-storey building on Adelaide Street in Toronto was "topped off" in December. The structure will house the main telephone switching equipment for downtown Toronto, a new public office, and a modern, computerized accounting centre.



At year end, construction of the new building adjacent to our head office in Montreal was proceeding on schedule. It will house Canada's first electronic central office.

Operating taxes to federal, provincial and municipal governments in 1964 increased by 13.2 per cent.

Total income, before interest charges and dividends, rose by 11.9 per cent. Interest charges increased by 8.0 per cent.

Net income was 13.8 per cent higher than in 1963. The main factors in this achievement were that revenues rose by 7.9 per cent while the increase in expenses was held to 5.4 per cent.

Public Hearings Ordered

The Board of Transport Commissioners for Canada announced on September 22 that it will hold public hearings in 1965 to review the permissive level of earnings of the Company, and the basis on which such level of earnings should be established. The Board stated that in these hearings it does not intend to inquire into existing rates. As indicated in our submission to the Board in November, the Company firmly believes it should be permitted to continue to improve earnings through prudent management and efficient operation under the present rate structure.

Better Service for More People

In 1964, the Company added 222,475 telephones to those in service, a total exceeded in only two other years of our history.

More than 92 per cent of the households in the territory we serve now have telephones. More than 99 per cent of our telephones are dial. More and more people enjoy the advantage of conveniently located

extension telephones — one in every five residence telephones is an extension. About 30 per cent of telephones are in colour, including more than 140,000 Princess telephones. More than 40,000 customers have Bell Chime ringers in homes or offices, compared with 14,000 at the end of 1963.

Thirty-one new exchanges were put into service, many of them in remote, northern communities which had been without telephone service. Thirty-nine other exchanges were converted from manual to dial operation during the year.

Local calling areas were enlarged in more than 200 exchanges. For example, in the Montreal Area, St. Paul l'Ermite and Ste. Anne de Bellevue became part of the metropolitan local calling plan. More than 85 per cent of all our customers can now call one or more neighbouring exchanges without a long distance charge.

The year ushered in a new kind of telephone which has pushbuttons instead of a rotary dial. In place of the pulses generated by the dial, tones are transmitted over the line. Touch-Tone Calling is faster and more accurate than conventional dialing, and in the future can be used to provide new service features for residence and business customers. Touch-Tone telephones were introduced on a limited basis in two exchanges in Ontario and two in Quebec. Touch-Tone Calling has proved popular with telephone users, and will gradually be made available in other centres in the years ahead.

Rural Service Improved

It is not only in the larger centres that service has been improved, but

also in smaller communities and in rural areas. Despite growth in the number of customers in these areas, the total number of telephones served by rural multi-party lines has declined as more and more have been included in our expanding urban service areas. In 1964 alone, there were 134 localities, previously served on a rural-line basis, in which we were able to offer individual-line service to customers. At the same time, work continued to improve rural service by further reducing the average number of customers sharing the same line. In parts of northwestern Ontario, radiotelephone service now brings the telephone to customers in some 200 localities not readily reached by land lines.

More and better service for customers in these smaller communities and rural areas has been a continuing aim of our Company. In the past five years, in fact, 190 new exchanges have been established, largely for the benefit of rural customers. Nearly 300 exchanges have been converted to dial operation. In 756 other locations we have offered individual-line service to customers who previously had rural service only. In addition, in the five-year period, 79 rural connecting systems were added to our network, and their lines and equipment rehabilitated to provide modern, reliable service.

Long Distance Rates Reduced

On June 21, your Company, along with the major telephone organizations across Canada which comprise the Trans-Canada Telephone System, adopted a new schedule of long distance rates that reduced charges for calls between points over 480 miles apart. Reduction in

TORONTO INTERNATIONAL AIRPORT



Instant, pushbutton calling and other advanced service features developed to meet the special requirements of airline operation are used by Air Canada at Toronto and Montreal international airports. Designed by Bell and Northern Electric engineers, this "Centrex Plus" service has excited interest beyond Canada's borders.

long distance rates has been made possible by Direct Distance Dialing service, and the continued development of more economical transmission facilities.

Building for the Future

The benefit of your Company's \$233.5 million construction program was significant in our operating territory — and, indeed, was felt throughout the Canadian economy.

Construction of the new building adjoining our head office in Montreal progressed satisfactorily. Canada's first electronic central office will be located in this building. This large installation will serve the 1967 World Exhibition and parts of downtown Montreal. Electronic switching will be introduced progressively in other centres after that date, commencing in Toronto in 1968.

Work is continuing on our new 15-storey building on Adelaide Street in Toronto. It will accommodate the main switching equipment for downtown Toronto, a new public office, and a new, computerized accounting centre. Altogether, 52 new buildings were completed during the year, and extensions built on 23 others.

Direct Distance Dialing was inaugurated in many more communities. Three out of four of our customers can now dial calls direct to most telephones in Canada and the United States.

A new development in microwave facilities was tested last year on the radio relay system between Montreal, Ottawa, and Toronto. This, and other modifications developed by the Northern Electric Company's Research and Development Laboratories in Ottawa, will substantially improve the reliability

of our long-haul microwave systems, and eventually will permit doubling their capacity. They will be applied on various routes in the future.

A permanent high-frequency radio base station was erected at Frobisher Bay on Baffin Island, replacing a temporary station. This station supplements the one at Alma, Quebec, to provide a route to the more northern of our exchanges. It has enabled us to extend service to Cape Dorset and Pangnirtung on Baffin Island, to Igloolik in the eastern Arctic islands, and to Resolute on Cornwallis Island, the northernmost commercial telephone exchange in the world.

On the Labrador coast, exchanges were opened at Forteau, L'Anse au Loup, and Red Bay. A very-high-frequency radio link was provided across the Straits of Belle Isle to give direct access to the adjoining communities on the island of Newfoundland.

Further Safeguards for Canada's Communications

During 1964 the Company took additional steps to protect communications in the event of major disaster or other national emergency.

Microwave by-passes were established around Toronto, Windsor, and Ottawa, and a similar by-pass around North Bay was under construction. An alternative microwave route between Quebec City and Riviere du Loup will provide for diversification of facilities to the Maritime Provinces.

Emergency equipment, complete with tower and antenna systems, is available for transportation to a damaged microwave tower site by road, rail or air to provide for

prompt restoration of service. Portable equipment is also available to restore cable and open-wire carrier systems which may be damaged.

More Effective Communications for Business

The year saw greatly increased activity in market research, including consultation with representative customers to help us determine the future requirements of business customers. Such opinion testing was undertaken for two types of mechanical dialers, for a city-wide radio paging service, for a new type of switchboard service for motels, for new service arrangements for hospital patients, and for data transmission service.

At both Toronto and Montreal international airports, highly efficient communications systems of a most advanced type have been installed. Specially designed by Bell and Northern Electric engineers in close cooperation with Air Canada communications people, these "Centrex Plus" systems have excited interest beyond Canada's borders. There is provision for "stacking" of waiting calls so that they can be taken in turn. At the touch of a button, an Air Canada despatcher can "dial" a number in a fraction of a second. The console in front of him provides intercommunication, loudspeaker announcing, and regular telephone service all in one.

Among major installations for business in 1964 was a network of intercity dial telephone lines and teletypewriter facilities for a large oil company which in effect placed all of that company's offices and plants in western Ontario under one communications roof. The requirement for communications facilities of greater capacity and flexibility by large firms such as this one is growing dramatically



On July 20 the Telephone Association of Canada took possession of its site at the 1967 World Exhibition. Maurice Martin of Québec-Téléphone, President of the Association, Robert Shaw, Deputy Commissioner General of Expo '67, and Bell President Marcel Vincent clasp hands after signing the agreement. The Bell Company is acting as agent for the Association in the development of the exhibit.

with the economy. Studies by Bell Communications Consultants show businessmen how to take care of these needs in the most economical way.

Teletypewriter Exchange Service (TWX), and Dataspeed service, which permits tape transmission of messages at more than 1,000 words a minute, are used by a large customer to link offices in four provinces. By coordinating all information at high speed, the firm is able to give next-day delivery to its customers, to ensure prompt invoicing and up-to-date inventory records, and to furnish its management people more quickly with information on which to base decisions and control.

The number of customers' lines served under the Wide Area Telephone Service plan increased from just over 600 in 1963 to more than 1,400 at the end of 1964. WATS provides flat-rate long distance service within seven progressively wider zones, the largest of which includes the whole of Canada.

During the year the Government of Quebec arranged with the Company to equip the Montreal division of the Provincial Police with a dial mobile telephone system, the most modern yet developed for police purposes. Other telephone companies in Quebec have given excellent cooperation in providing their portion of this service.

\$154 Million in New Capital

In 1964 the Company raised \$154.2 million through the issue of stock and of bonds. The remainder of the capital required was available internally through our provision for depreciation and through retained earnings.

An offer of 2,233,795 shares of stock was made to shareholders in April. The issue was 99.6 per cent subscribed and raised \$84.5 million. Purchases of shares under the Employees' Stock Plan provided \$15.9 million. At year end, 26,656 employees were participating in the Plan.

In October the Company sold \$50 million of bonds in the United States at an interest rate of 4.80 per cent. It is expected that over the life of the issue a substantial saving will be realized by having borrowed in the United States rather than in Canada at that time.

Large amounts of new capital will continue to be required to meet the demand for communications services that are essential to our dynamic economy. Over the next five years about half a billion dollars will have to be raised from the investing public. In an increasingly competitive capital market improving earnings will be required to attract the interest of investors.

We Increased Efficiency and Cut Costs

First steps in creating what will become one of the largest business information systems in Canada were taken in 1964 by the installation of two large-scale electronic data processing machines in Montreal. Two similar computers will be installed in Toronto in 1965.

These machines are designed to produce the regular monthly telephone accounts for our customers, now numbering 2.8 million, and to supply essential information required both for controlling the Company's day-to-day operations and for its long-term planning.

A new teletypewriter data network, designed by Company sys-

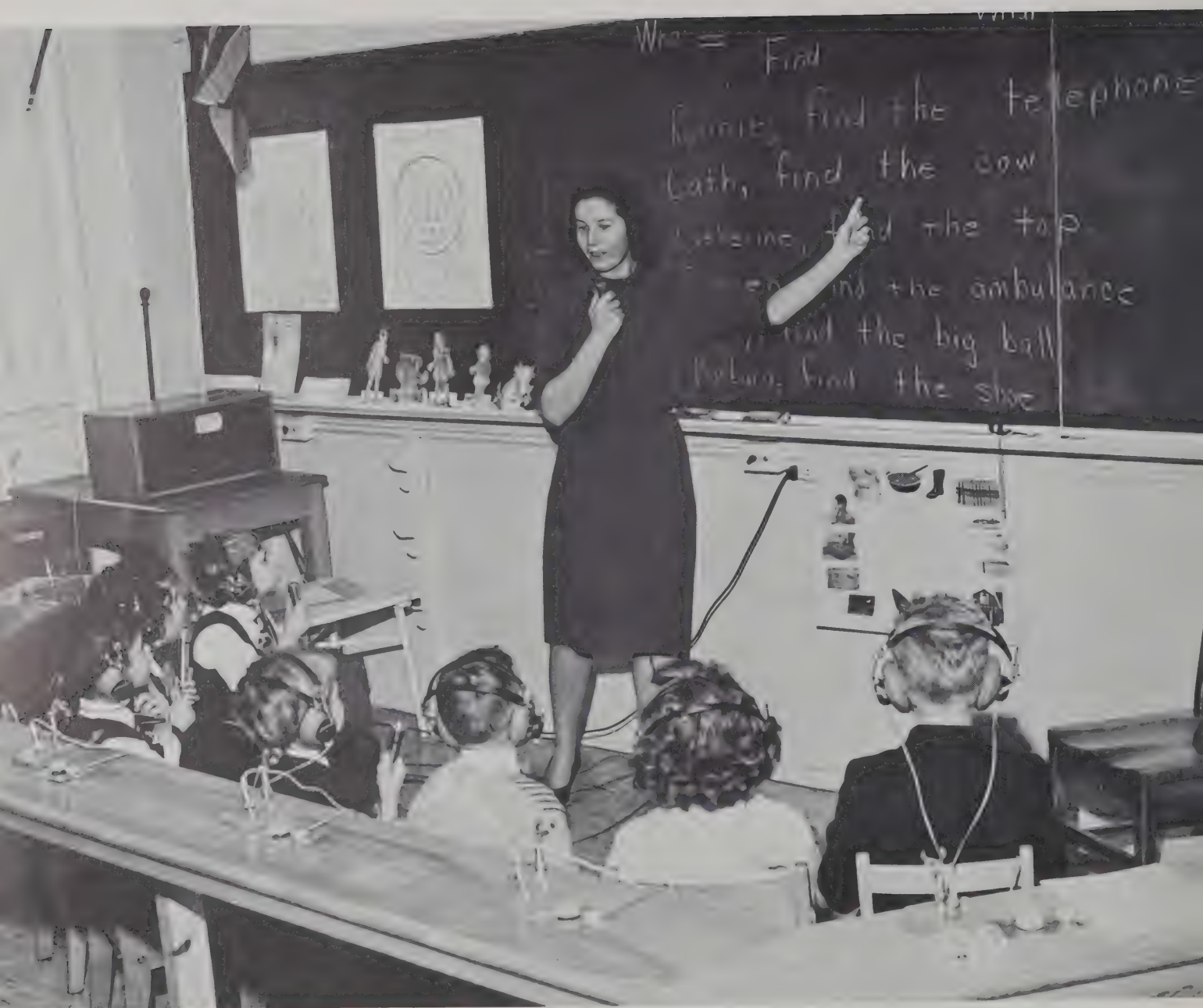
tems analysts and engineers, which employs the latest electronic switching techniques, was installed to provide the computers with immediate information regarding customers' orders for service.

In engineering work, too, Company systems analysts are helping us to improve our ability to have the right equipment at the right place at the right time to provide service on demand for our customers. Up-to-date techniques are also being applied to many administrative operations in other departments. For example, computer data processing applied to vehicle maintenance control, to Yellow Pages contract work, and to assignment of telephone numbers is expected to effect substantial savings.

Relations Strengthened within the Industry

At the end of 1964 there were 330 other telephone companies in Ontario and Quebec, serving some 382,000 telephones. Direct connection between their customers and ours is afforded through mutual interchange agreements which provide for compatible circuits and uniform operating practices.

Our relations with these organizations continue to be coordinated by two specialist groups in our Company, one in Montreal and one in Toronto. Members of the coordinating groups visit the companies regularly, and offer advice and assistance on operating and training matters. Questions of common interest are discussed at regular meetings with representatives of Telephone Associations. Our efforts are amply justified by the general increase in business which a high quality of local and long distance service encourages.



One of many public service projects of the Telephone Pioneers of America is the maintenance of electronic equipment used to teach children to speak at the Montreal Oral School for the Deaf. Pioneers are all telephone industry employees or pensioners.

Progress Towards World-Wide Dialing

To speed up overseas connections, we cooperated with the Canadian Overseas Telecommunication Corporation and the British Columbia Telephone Company in the introduction of operator dialing between Canada and the United Kingdom, Japan, and Australia.

Along with the federal Department of Transport, the other members of the Telephone Association of Canada, and the Canadian Overseas Telecommunication Corporation, your Company is taking part in the work of committees of the International Telecommunications Union, which operates under the United Nations.

The stage was set for eventual world-wide dialing of telephone calls by customers when a plan was approved at the triennial plenary session of the International Telegraph and Telephone Consultative Committee held in Geneva in June. The plan provides that every one of the 600 million telephones expected to be in service in the world by the year 2000 will have a unique number. Telephone systems of the various countries in the world will have to be made compatible in such matters as numbering, equipment design, and transmission standards, but now that the world plan has been officially approved, work can proceed vigorously toward this common goal.

The Spirit of Service

Addie McCormick, heroine of the catastrophic fire in Ottawa's Beacon Arms Hotel, has been posthu-

BENEFITS AND PENSIONS

UNDER THE PLAN FOR EMPLOYEES' PENSIONS DISABILITY BENEFITS AND DEATH BENEFITS

YEAR 1964

Sickness Benefits	\$1,222,158
Accident Benefits	58,895
Death Benefits	559,342
Disability Pensions	91,399

The Company has established a fund with The Royal Trust Company, Montreal, as Trustee; This fund is irrevocably devoted to service and deferred pension purposes. Under an accrual program based on actuarial studies, regular payments are made to the fund by the Company and amounted to \$10,926,768 in the year 1964. The amount in the fund fully provides for future payments to those now on the pension rolls and those now entitled to retire on service pension at their own request, or to a deferred pension. The fund is not a part of the assets of the Company and is, therefore, not reflected in the balance sheet.

mously awarded the Royal Canadian Humane Association's gold medal — its highest honour — for her "heroic devotion to duty". The 64-year-old switchboard attendant, once a Chief Operator in our Company, stayed at her post to warn guests in the hotel and died in a blaze that gutted the 300-room building, July 30.

Over the years Mrs. McCormick had instilled in new operators an understanding of the importance of their jobs. She had always taught that the lines of communication must be kept open in emergencies. She gave her life for the principles she taught.

Garry R. Warren, of Ottawa, received a citation certificate for assisting in the rescue of two small children from a burning apartment building.

Letters of commendation from the President for distinguished acts were presented to 21 other employees: James V. L. Wilson, Robert G. Thiffault, Elvin B. Bruce, Larry B. Martin, Arnold D. Curry, and Kenneth Wells, all of Toronto;

Robert L. Burke, David A. White, Joseph R. F. C. Mercille, and Alexander Burke, all of Montreal; Raymond W. Getchell, of Sault Ste. Marie; Alfred O. Riekstins, of Fort William; William G. Otto, of North Bay; William E. Friesen, of Hamilton; Laurence Robillard, of Barrie; John Bakker and Clifford W. Smith, of Belleville; Lawrence A. Bennett, of Sherbrooke; Claude Hamelin, of Alma; and Cameron E. MacTavish and Stuart M. Hickson, both of London.

Collective Bargaining Agreements

During the year the Company reached agreement on revised contracts with the Canadian Telephone Employees' Association, which represents 10,300 plant craft and associated employees, 8,600 clerical and associated employees, and nearly 500 equipment sales people. Agreement was also reached with the Traffic Employees' As-

One of the Company's major metropolitan projects is the provision of up-to-date Centrex telephone services for Toronto's unique City Hall.



Cable is buried directly in the ground by ploughs drawn by powerful tractors. In this unusual project the cable was laid in a trench under the bed of Lake Nipissing.



Bridging lonesome miles of trackless territory, modern communication systems are helping to open Canada's north. This test tower for long-range microwave transmission is at Fort Chimo on Ungava Bay.

sociation, which represents 8,900 traffic central office employees and 300 dining service employees.

In November, 1963, the Canada Labour Relations Board certified the Office Employees' International Union as the representative of the 100 employees in the directory sales group of the Eastern Region, and we reached an agreement with this union early in 1964.

The Company and the unions representing our employees continued a long-standing practice of meeting regularly to exchange views on matters of mutual interest outside the bargaining process. Both union and management representatives have found that this makes a useful contribution to mutual understanding. The growing interest of other employers and unions in this aspect of labour-management relations reinforces our belief that this is a worthwhile activity.

Directors Appointed

Two directors were appointed to fill vacancies created by resignations during the year. Honourable Robert H. Winters, P.C., succeeded Robert A. Laidlaw on June 1, and Jean Turgeon, Q.C., succeeded L. J. Adjutor Amyot on September 1. On behalf of the shareholders, the Board of Directors paid tribute to the valued contributions made by Mr. Laidlaw and Mr. Amyot who had served as Directors since 1950 and 1944 respectively.

In May the Company sought parliamentary approval for an amendment to its charter which would permit the maximum number of directors to be increased from 15 to 20. The proposed change recognized the Company's growth, and would permit a broader representation of leading Canadians to assist in forming the Company's policies. At year's end, Parliament had adjourned and debate on the proposed amendment had not been concluded.

Executive Changes

On February 1, Robert C. Scrivener was appointed Vice-President (Operations). Arnold J. Groleau succeeded Mr. Scrivener as Vice-President (Finance). J. Vernon Leworthy was appointed Vice-President & General Manager (Toll Area). Z. Henry Krupski was appointed Vice-President (Trans-Canada).

On September 28, Mr. Leworthy was appointed Vice-President (Operations Staff), succeeding Wallace C. Macpherson, who was appointed Vice-President (Revenue Requirements). Wilfred D. E. Anderson succeeded Mr. Leworthy as Vice-President & General Manager (Toll Area).

On November 1, James A. Hobbs was appointed an Executive Vice-President. David M. Camp succeeded Mr. Hobbs as Vice-President (Personnel). Maurice

d'Amours succeeded Mr. Camp as Vice-President & General Manager (Montreal Area).

Appreciation

In telling the story of the Company's operations in 1964, we are speaking of the achievements of people. Nearly 36,000 employees have worked diligently and effectively to make 1964 an outstanding year for The Bell Telephone Company of Canada. They have further strengthened the traditions of service inherited from those dedicated men and women who built this business.

Your Directors would like to pay tribute also to those who have shown their confidence in us by investing their money in this Company in order to provide the facilities with which we serve the communications needs of our customers.

All have played a significant part in your Company's achievements in 1964.

For the Board of Directors,



President.

February 3, 1965

ASSETS*in thousands of dollars*

	December 31, 1964	December 31, 1963
TELEPHONE PROPERTY		
Land, Buildings, Plant and Equipment — at cost	\$2,337,428	\$2,172,448
INVESTMENTS		
Subsidiary Companies — at cost	56,543	46,102
Other Investments — at cost	20,697	18,655
	<u>77,240</u>	<u>64,757</u>
CURRENT ASSETS		
Cash	3,879	6,588
Temporary Cash Investments	39,464	18,167
Accounts Receivable	62,524	58,494
Material and Supplies — at cost	12,543	11,214
Prepayments	11,426	10,990
	<u>129,836</u>	<u>105,453</u>
DEFERRED CHARGES		
Unamortized Discount and Expense on Long Term Debt . . .	5,926	6,396
Other Deferred Charges	1,936	1,942
	<u>7,862</u>	<u>8,338</u>
TOTAL ASSETS	<u>\$2,552,366</u>	<u>\$2,350,996</u>

Signed on behalf of the Board of Directors:

F. JOHNSON, *Director.*J. A. FULLER, *Director.*

LIABILITIES
in thousands of dollars

	December 31, 1964	December 31, 1963
SHAREHOLDERS' EQUITY		
Capital Stock	\$ 734,638	\$ 666,525
Premium on Capital Stock	268,434	234,578
Retained Earnings	95,173	80,109
	<u>1,098,245</u>	<u>981,212</u>
LONG TERM DEBT		
First Mortgage Bonds	<u>735,000</u>	<u>710,000</u>
CURRENT LIABILITIES		
Accounts Payable	38,628	36,086
Advance Billing and Payments for Service	14,320	13,338
Dividend Payable	16,162	14,664
Taxes Accrued	32,947	28,889
Interest Accrued	10,055	9,806
	<u>112,112</u>	<u>102,783</u>
ACCUMULATED DEPRECIATION		
Accumulated Provision for Depreciation of Telephone Property	<u>533,053</u>	<u>485,318</u>
DEFERRED CREDITS		
Income Tax	49,208	48,714
Employees' Stock Plan	16,910	18,420
Unamortized Premium Less Expense on Long Term Debt . . .	7,313	3,901
Other Deferred Credits	525	648
	<u>73,956</u>	<u>71,683</u>
TOTAL LIABILITIES	<u>\$2,552,366</u>	<u>\$2,350,996</u>

The notes to financial statements on pages 19
and 20 are an integral part of this statement.

W. McNEILL, Comptroller.

THE BELL TELEPHONE COMPANY OF CANADA

INCOME STATEMENT

in thousands of dollars

	Year 1964	Year 1963
OPERATING REVENUES		
Local Service	\$325,524	\$308,915
Long Distance Service	187,874	165,066
Miscellaneous	31,616	31,248
Less: Provision for Uncollectibles	<u>2,242</u>	<u>2,252</u>
	542,772	502,977
OPERATING EXPENSES		
Maintenance	99,128	95,642
Depreciation	106,224	97,314
Traffic	39,452	38,786
Marketing and Commercial	41,734	39,632
Other	<u>56,828</u>	<u>54,421</u>
	343,366	325,795
NET OPERATING REVENUES	<u>199,406</u>	<u>177,182</u>
OPERATING TAXES		
Income Taxes	72,916	63,332
Other Taxes	<u>23,121</u>	<u>21,501</u>
	96,037	84,833
OPERATING INCOME	<u>103,369</u>	<u>92,349</u>
OTHER INCOME		
Dividends	6,825	6,143
Miscellaneous Income (net)	<u>2,600</u>	<u>2,269</u>
	9,425	8,412
TOTAL INCOME BEFORE INTEREST CHARGES	<u>112,794</u>	<u>100,761</u>
INTEREST CHARGES		
Interest on Long Term Debt	33,883	31,183
Other Interest	916	976
Amortization of Discount, Premium and Expense on Long Term Debt	<u>256</u>	<u>308</u>
	35,055	32,467
NET INCOME FOR THE YEAR	<u>\$ 77,739</u>	<u>\$ 68,294</u>

The notes to financial statements on pages 19 and 20 are an integral part of this statement.

W. McNEILL, Comptroller.

THE BELL TELEPHONE COMPANY OF CANADA

STATEMENT OF RETAINED EARNINGS

in thousands of dollars

	Year 1964	Year 1963
BALANCE AT BEGINNING OF YEAR	\$ 80,109	\$ 70,740
<i>Add:</i> Net Income for the Year	77,739	68,294
Miscellaneous Items (net).	330	—
	<hr/> 158,178	<hr/> 139,034
<i>Deduct:</i> Dividends	63,005	58,189
Miscellaneous Items (net).	—	736
	<hr/> 63,005	<hr/> 58,925
BALANCE AT END OF YEAR	<u>\$ 95,173</u>	<u>\$ 80,109</u>

NOTES TO FINANCIAL STATEMENTS

BALANCE SHEET

TELEPHONE PROPERTY

Land, buildings, switching and microwave equipment, poles, wire, cable, underground conduit, telephone apparatus, motor vehicles, office furniture and other equipment.

INVESTMENTS

SUBSIDIARY COMPANIES: ownership in the following companies:

Northern Electric Company, Limited (100%)
The Avalon Telephone Company, Limited (99.5%)
Télécommunications des Iles-de-la-Madeleine, Limitée (100%)
Télécommunications Richelieu Limitée (99.8%)
The Monk Rural Telephone Company, Limited (100%)
North American Telegraph Company (100%)

The net worth of these investments exceeds the cost.

OTHER INVESTMENTS: the market value of these investments exceeds the cost.

TEMPORARY CASH INVESTMENTS

Valued at cost or amortized value; market value at December 31, 1964: \$39,489,000.

ACCOUNTS RECEIVABLE

Principally amounts due from customers, after a provision for uncollectibles. Includes \$473,382 receivable from subsidiary companies at December 31, 1964.

PREPAYMENTS

Rents, taxes, insurance, cost of directories and other items applicable to subsequent period.

CAPITAL STOCK

Par Value: \$25.00 per share.

Authorized: by charter — 40,000,000 shares.
by shareholders — 40,000,000 shares.

Outstanding: 29,385,520 fully paid shares at December 31, 1964.

NOTES TO FINANCIAL STATEMENTS (continued)

LONG TERM DEBT

FIRST MORTGAGE BONDS at December 31, 1964

SERIES E — Maturing March	1, 1977 — 3 %	\$ 35,000,000
SERIES F — Maturing February	15, 1973 — 3¼ %	35,000,000
SERIES G — Maturing June	1, 1975 — 3¾ %	40,000,000
SERIES I — Maturing May	1, 1976 — 3½ %	40,000,000
SERIES J — Maturing December	15, 1967 — 4½ %	40,000,000
SERIES K — Maturing May	15, 1979 — 3¾ %	40,000,000
SERIES L — Maturing December	1, 1970 — 4 %	16,000,000
SERIES M — Maturing June	1, 1981 — 4 %	24,000,000
SERIES N — Maturing January	2, 1972 — 4¾ %	20,000,000
SERIES O — Maturing March	15, 1972 — 5 %	20,000,000
SERIES P — Maturing March	15, 1983 — 4¼ %	50,000,000
SERIES Q — Maturing July	2, 1980 — 5¼ %	30,000,000
SERIES R — Maturing January	2, 1978 — 6¼ %	35,000,000
SERIES S — Maturing April	1, 1974 — 6¼ %	25,000,000
SERIES T — Maturing August	2, 1982 — 5¾ %	50,000,000
SERIES U — Maturing January	2, 1986 — 6 %	35,000,000
SERIES V — Maturing January	2, 1982 — 5½ %	40,000,000
SERIES W — Maturing June	15, 1984 — 5½ %	30,000,000
SERIES X — Maturing May	1, 1988 — 4¾ %	50,000,000
SERIES Y — Maturing October	1, 1984 — 5¾ %	30,000,000
SERIES Z — Maturing October	1, 1989 — 4.80 %	50,000,000

TOTAL BONDS \$735,000,000

Series N, P, X and Z Bonds are payable in U.S. funds and are recorded in the Company's accounts at their face value. The difference between the face value of the bonds and the amount received on issue is being amortized over the terms of the bonds.

ACCOUNTS PAYABLE

Amounts owing for supplies, equipment, payrolls and other items. Includes \$18,864,819 payable to subsidiary companies at December 31, 1964.

DEFERRED CREDITS

INCOME TAX: reduction in income taxes, for appropriation in future years, due to depreciation deducted for tax purposes being in excess of that included in operating expenses for the years 1954 to 1957 inclusive.

EMPLOYEES' STOCK PLAN: instalments paid by employees subscribing for capital stock, with interest thereon.

INCOME STATEMENT

OPERATING REVENUES

MISCELLANEOUS: principally from directory advertising.

OPERATING EXPENSES

MAINTENANCE: cost of inspection, repairs and rearrangements required to keep the telephone property in good operating condition.

DEPRECIATION: provision to meet the loss of investment when depreciable property is retired from service, based on rates designed to spread this loss uniformly over the life of the property.

TRAFFIC: costs incurred in handling telephone calls.

MARKETING AND COMMERCIAL: sales expense, advertising, cost of directories, and costs incurred in business relations with customers.

OTHER: general office salaries and expenses, benefit payments, provision for service pensions, operating rents and other general expenses.

Year 1964: salaries paid to Executive Officers \$793,239; salaries and fees paid to Counsel, Solicitors and other legal advisors of the Company \$208,754; fees paid to Directors and members of the Executive Committee \$69,900 of which \$8,950 was paid and accounted for by subsidiary companies.

OTHER INCOME

MISCELLANEOUS INCOME (NET): principally interest, on plant under construction and on temporary cash investments.

THE BELL TELEPHONE COMPANY OF CANADA

STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

in thousands of dollars

SOURCE OF FUNDS	Year 1964	Year 1963
Operations:		
Net Income for the Year	\$ 77,739	\$ 68,294
Add: Provision for Depreciation	106,224	97,314
Other Transactions Not Requiring an Outlay of Funds (net)	1,206	1,278
	<hr/> 185,169	<hr/> 166,886
Proceeds From Stock Issue	84,548	—
Proceeds From Employees' Stock Plan	15,911	14,899
Proceeds From Bond Issues	53,799	83,196
Decrease in Working Capital	—	27,180
Miscellaneous Items (net)	309	—
	<hr/> <u>\$339,736</u>	<hr/> <u>\$292,161</u>
 DISPOSITION OF FUNDS		
Construction Expenditures:		
Gross Construction Expenditures	\$233,533	\$234,088
Deduct: Charges to Construction Not Requiring an Outlay of Funds	9,339	7,908
	<hr/> 224,194	<hr/> 226,180
Dividends	63,005	58,189
Increase in Working Capital	15,054	—
Redemption of Bonds	25,000	—
Acquisition of Investments	12,483	6,684
Miscellaneous Items (net)	—	1,108
	<hr/> <u>\$339,736</u>	<hr/> <u>\$292,161</u>

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
THE BELL TELEPHONE COMPANY OF CANADA,
MONTREAL, QUE.

We have examined the balance sheet of The Bell Telephone Company of Canada as at December 31, 1964 and the statements of income, retained earnings and source and disposition of funds for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and statements of income, retained earnings and source and disposition of funds are properly drawn up so as to exhibit a true and correct view of the financial position of The Bell Telephone Company of Canada as at December 31, 1964 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We report that the operations of the subsidiary companies for the year ended December 31, 1964 resulted in an aggregate net profit of which only the dividends received by the company have been included in the accompanying income statement.

Montreal, Que.
February 3, 1965

TOUCHE, ROSS, BAILEY & SMART
Chartered Accountants.

OUR STORY IN FIGURES

AT DECEMBER 31	1964	1963	1962	1961
Number of Telephones	4,312,577 ^{37.3}	4,090,102	3,890,630	3,695,107
Business	1,269,137	1,205,035	1,151,356	1,096,676
Residence	3,043,440	2,885,067	2,739,274	2,598,431
per cent Dial	99.1	98.2	97.0	95.2
Telephones Added During the Year* .	222,475	199,472	195,523	180,100
connected	1,068,541	997,461	962,989	905,286
disconnected	846,066	797,989	767,466	725,186
Per cent Households with Telephones .	92	91	90	89
Average Calls Placed Daily*	26,020,000	24,926,000	23,904,000	22,688,000
Long Distance	495,000	468,000	440,000	409,000
Miles of Long Distance Circuits	2,882,000	2,583,000	2,131,000	1,871,000
Construction Expenditures*	\$ 233,500,000	\$ 234,100,000	\$ 219,400,000	\$ 192,600,000
Telephone Property	\$2,337,428,669	\$2,172,448,112	\$2,000,943,787	\$1,842,547,676
Accumulated Depreciation	\$ 533,053,439	\$ 485,317,980	\$ 442,499,708	\$ 408,429,924
Number of Employees	35,890	35,441	35,086	34,302
Men	16,515	16,095	15,823	15,553
Women	19,375	19,346	19,263	18,749
Total Payroll*	\$ 187,081,096	\$ 179,297,157	\$ 170,470,796	\$ 161,859,420
Number of Shareholders.	207,150	195,037	192,854	178,126
per cent resident in Canada	97.4	97.3	97.3	97.0
Total Shares Outstanding	29,385,520	26,660,984	26,221,280	23,746,945
per cent held in Canada	93.6	93.1	93.0	92.2
Total Operating Revenues*	\$ 542,772,005 ^{65.1}	\$ 502,976,925	\$ 470,995,081	\$ 433,656,654
Total Operating Expenses*	\$ 343,366,040	\$ 325,795,006	\$ 301,856,922	\$ 282,487,927
Earnings Available for Dividends* . . .	\$ 77,738,615	\$ 68,293,941	\$ 65,284,902	\$ 57,690,521
per Average Share Outstanding . . .	\$2.71	\$2.58	\$2.66	\$2.50
Per cent Return on Total Capital* . . .	6.3	6.1	6.3	6.0

*for the year ended December 31.

1960	1959	1958	1957	1956	1955
3,515,007	3,330,877	3,140,349	2,954,884	2,766,153	2,522,745
1,041,909	991,860	940,589	893,211	848,724	782,620
2,473,098	2,339,017	2,199,760	2,061,673	1,917,429	1,740,125
94.2	91.8	90.0	88.7	86.1	83.9
184,130	190,528	185,465	188,731	243,408	228,287
876,164	860,550	785,279	731,970	759,089	685,516
692,034	670,022	599,814	543,239	515,681	457,229
89	88	87	86	85	82
21,668,000	20,951,000	19,829,000	18,646,000	16,989,000	15,747,000
391,000	378,000	361,000	336,000	317,000	298,000
1,769,000	1,656,000	1,451,000	1,187,000	1,058,000	908,000
\$ 207,700,000	\$ 196,100,000	\$ 183,200,000	\$ 177,300,000	\$ 139,500,000	\$ 128,400,000
\$1,697,921,442	\$1,534,462,754	\$1,378,274,117	\$1,223,615,264	\$1,066,296,579	\$ 945,119,244
\$ 370,334,402	\$ 337,556,461	\$ 305,707,145	\$ 274,122,282	\$ 247,347,199	\$ 224,803,776
35,656	37,158	39,321	41,363	39,688	36,340
15,816	16,035	16,784	17,018	15,632	13,892
19,840	21,123	22,537	24,345	24,056	22,448
\$ 159,028,668	\$ 155,156,297	\$ 154,611,767	\$ 146,952,560	\$ 130,677,707	\$ 116,037,106
171,288	170,767	157,724	156,825	140,726	125,223
97.3	97.5	97.8	98.0	97.8	97.8
21,340,072	21,024,690	18,183,956	17,983,980	15,506,932	13,643,401
92.1	92.0	91.8	91.8	91.1	90.6
\$ 404,848,423	\$ 376,604,645	\$ 328,817,571	\$ 302,985,820	\$ 273,975,152	\$ 244,899,537
\$ 270,428,499	\$ 256,232,248	\$ 239,303,260	\$ 220,445,304	\$ 196,252,745	\$ 173,197,648
\$ 53,511,907	\$ 50,283,578	\$ 38,899,289	\$ 36,037,169	\$ 34,949,181	\$ 31,978,042
\$2.52	\$2.48	\$2.15	\$2.15	\$2.40	\$2.43
6.0	5.9	5.3	5.3	5.7	5.9

The Seven League Boots of Radiotelephone Service

In addition to improving service in more heavily populated areas, the Company is rolling back the communications frontier by installing modern facilities to serve people in northern Ontario, northern Quebec, Labrador, and the Northwest Territories.

The larger map shows the growing number of exchanges around James Bay, Hudson Bay, and Ungava Bay, on the Coast of Labrador, and in the eastern Arctic Islands. A variety of radio links provides long distance service to these northern outposts. The map below shows originating points of the radiotelephone service provided for customers in some 200 localities in parts of northwestern Ontario not readily reached by land lines.





● RESOLUTE

B A F F I N
I S L A N D

IGLOOLIK ●

PANGNIRTUNG ●

CAPE DORSET ●

FROBISHER ●

H U D S O N B A Y

POVUNGNITUK ●

FORT CHIMO ●

NAIN ●

L A B R A D O R

PORT HARRISON ●

MAKKOVIK ●

CARTWRIGHT ●

BATTLE HARBOUR ●

NORTH-WEST RIVER ●

MARY'S HARBOUR ●

MUD LAKE ●

RED BAY ●

GOOSE BAY ●

L'ANSE AU LOUP ●

FORTEAU ●

FORT SEVERN ●

GREAT WHALE RIVER ●

TWIN FALLS ●

WINISK ●

WABUSH ●

FORT GEORGE ●

GAGNON ●

TROUT LAKE ●

WUNNUMMIN ●

ATTAWAPISKAT ●

PAINT HILLS ●

WEAGAMOW ●

FORT ALBANY ●

LANSDOWNE HOUSE ●

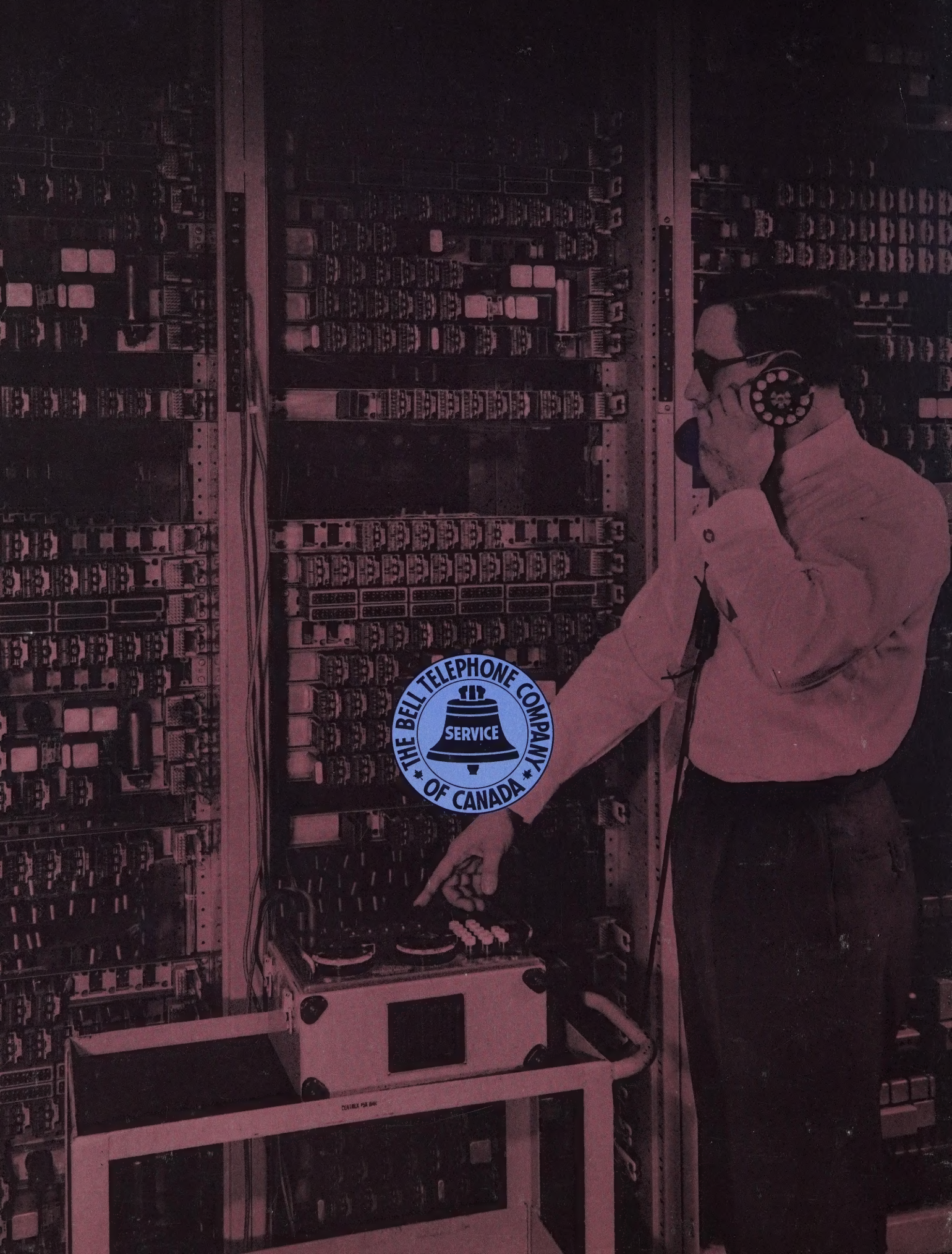
RUPERT HOUSE ●

MISTASSINI ●

O N T A R I O

Q U E B E C

ALMA ●



CELEBRATE YOUR DAY